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PROGRAMME PLANNING AND IMPLEMENTATION

Country, intercountry and global programmes

# FIFTH COUNTRY PROGRAMME FOR BAHRAIN

| Programme period | Resources | $ |
|---|---|---|
| January 1993-December 1996 | Net IPF | - |
| | Estimated cost-sharing | 10 046 000 |
| Total | | 10 046 000 |

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# I. DEVELOPMENT SITUATION, OBJECTIVES AND STRATEGIES

## A. Current socio-economic situation

1. The State of Bahrain, comprising 36 islands, has a total area of about 694 square kilometres and a total population of over half a million. Compared to its neighbouring countries, Bahrain has a high population density. Over four fifths of the people live in urban areas. Foreign nationals constitute about one third of the total population and over one half of the labour force.

2. During the 1960s and the 1970s, the rising demand for petroleum and increased prices of this crucial commodity led to a rapid expansion of the country's export earnings and, consequently, to rapid growth in the economy as a whole. This in turn brought marked improvements in the incomes and living standards of the people. During the 1980s, with the reversal of world economic conditions, the country recorded an average annual rate of economic growth in real terms of less than 1 per cent. In fact, during the first half of the 1980s, the total gross domestic product (GDP) in constant prices declined at an average annual rate of 0.5 per cent; but during the second half of the decade, total GDP grew at an average annual rate of 2.3 per cent. With both the Bahraini and non-Bahraini populations expanding rapidly, per capita income suffered sharp setbacks. In current prices, per capita gross national product (GNP) declined from $8,843 in 1980 to $7,080 in 1990.

3. Petroleum extraction does not figure as prominently in the economy of Bahrain as it does in the economies of neighbouring countries. The share of mining and quarrying in total GDP at current prices declined from 34.8 per cent in 1980 to 22.1 per cent in 1990. The share of agriculture and fisheries remained about 1 per cent. The share of manufacturing rose from 16.2 per cent in 1980 to 17.2 per cent in 1990. Petroleum refining, petrochemical production and aluminium production are the principal manufacturing activities whose output is largely exported. The main offset to the decline in the share of petroleum extraction in total GDP came from an increase in the share of public administration services, from 11.7 per cent to 21.4 per cent during the same period. Financial and real estate services expanded vigorously during the 1983-1986 period, but thereafter declined steeply; in 1990, their total share in GDP amounted to 13.1 per cent, compared with 14.2 per cent in 1980.

4. Significant progress has been made in the education and health sectors. By 1989, 98 per cent of persons of relevant age groups were enrolled in primary and secondary schools, compared with 83 per cent in 1970. In secondary education, there were as many females enrolled as males; in post-secondary education, the female enrolment rate was substantially higher than that of males. By the end of the 1980s, the entire population of Bahrain had access to health services; 95 per cent had access to both safe water and sanitation. Average life expectancy at birth is estimated to have risen from 56 years in 1960 to 71 years in 1990.

### B. National development objectives and strategies

5. The Government's approach to development is to combine sound macroeconomic management conducive to entrepreneurial activities with public investment in economic and social infrastructure to improve production and quality of life. Private investment in a widening range of industrial and service activities is actively promoted as a means to further stimulate and diversify the economy. Public investment as a share of total capital formation has declined steadily, from 43.5 per cent in 1980 to 31 per cent in 1990. This approach will be reflected in the four-year national development programme currently under preparation. Its main objectives are:

(a) Sustained expansion and diversification of the economy, so that the pattern of rising incomes and living standards can be re-established and the ground prepared for economically viable production of goods and services, bearing in mind the likely exhaustion of the country's petroleum resources in the early years of the twenty-first century;

(b) Rational utilization of natural resources and protection of the natural environment, so that such precious resources as water and fisheries are available to present and future generations and the natural environment is preserved to provide a decent life for all people; and

(c) Increasing human capabilities and organizational efficiency, so that more and more Bahrainis, rather than foreign labourers, carry out the vital development tasks and contribute to raising the efficiency of both public and private entities.

## II. EXTERNAL COOPERATION

### A. Role of external cooperation

6. In general, Bahrain has financed its own development programmes. Foreign private capital is welcome, however, especially when it helps to enhance professional skills and introduce new technologies. In contrast, because of shortages of many professional skills, Bahrain needs substantial technical cooperation. Gaps have been filled by hiring foreigners directly and by acquiring technical cooperation from bilateral and multilateral sources. In this connection, the Government attaches special importance to technical cooperation from the United Nations system in view of the expertise accumulated from its world-wide operations, as well as its professional objectivity and impartiality in dealing with the development process. The helpful role played by the United Nations Development Programme (UNDP), as the coordinating arm of the United Nations system in matters of technical cooperation, is appreciated.

### B. Coordination arrangements

7. Responsibility for coordinating technical cooperation from abroad rests with the Ministry of Foreign Affairs. Discussions on relevant development issues, especially on their underlying technical aspects, are also conducted

with the Ministry of Finance and National Economy and the concerned sectoral ministries.

## III. THE COUNTRY PROGRAMME

### A. Assessment of ongoing country programme

8. The fourth country programme, covering the 1988-1991 period, focused on: (a) diversification of the economic base and promotion of the productive sectors; (b) development of human resources; (c) exploitation of natural resources; (d) conservation of the environment; and (e) institutional development. Financial resources for the programme were estimated to total nearly $4 million, with the net indicative planning figure (IPF) allocation and cost-sharing arrangements accounting for 28.5 per cent and 71.5 per cent, respectively, of the total. The programmed amount totalled nearly $3.7 million, with $300,000 as a reserve.

9. Subsequently, without entailing any increase in the programmed amount, the fourth programme was extended to cover the year 1992. The actual expenditures incurred during the five-year period, 1988-1992, are estimated to be about $1.3 million, or only 35 per cent of the programmed amount. In absolute terms, there were shortfalls in all five areas of concentration, but the shortfalls occurred in strikingly different proportions. As originally envisaged, economic diversification accounted for about one third of total expenditures. In contrast, the shares of the other four areas of concentration deviated greatly from the original intentions: the shares of natural resource exploitation and environmental conservation were substantially larger, whereas the shares of human resources development and institutional development were substantially smaller than the corresponding specifications at the start of the programme.

10. Several factors were responsible for the marked alterations in the fourth programme during the course of its implementation. During much of the 1980s, the sluggish pace of the world economy and the drop in world demand for petroleum adversely affected the export earnings of Bahrain. From 1980 to 1987, the economy of the country suffered setbacks. Government revenue declined substantially, and a dark shadow fell on the whole development process. Several projects designed and/or started under earlier programmes were completed. But some projects that were intended to be launched in the fourth programme never began, and some others began much later than originally intended, and on a much reduced scale. The question of net contributor countries had not been resolved until Governing Council decision 91/29 of 25 June 1991 was adopted. This problem had adverse effects on the implementation of the programme. Some projects were already adopted by the line ministries but the Government was awaiting the final decision on the net contributor status. In addition, armed conflict in the Gulf area during 1990 and 1991 created tensions in all countries of the region. Against the backdrop of uncertainty, preparation of the new development strategy and policy framework for accelerated economic and social progress in Bahrain remained dormant until recently.

11. Nevertheless, significant progress was made during the fourth programme. For example, by virtue of technical cooperation, the Ministry of Development and Industry has been strengthened in order to promote industrialization; a land-use

plan for the year 2000 has been prepared; and mariculture development has received support. The impact of UNDP cooperation with Bahrain has been marked in human resources development, mainly in the field of education and training. Despite its limited size, the programme targeted many groups in the society, including industrial personnel, teachers, village women and disabled persons. The most important lesson gained from recent experience is that technical cooperation activities must be sharply focused and well coordinated.

## B. Proposals for UNDP cooperation

### 1. Preparatory process

12. The main elements of the fifth country programme were identified during the fourth country programme, taking into account the unfolding development requirements of the country in the light of changing circumstances. In this connection, a continuing dialogue has been maintained with UNDP, and the resulting cross-fertilization of ideas has helped to give content to technical cooperation from organizations of the United Nations system.

13. Useful proposals for technical cooperation under the fifth programme have been obtained from suggestions put forward by the Department of Economic and Social Development of the United Nations Secretariat (DESD), the International Labour Organisation (ILO), the Food and Agriculture Organization of the United Nations (FAO), the United Nations Educational, Scientific and Cultural Organization (UNESCO), the United Nations Industrial Development Organization (UNIDO) and the International Trade Centre (ITC). The advisory note served as a basis for implementation of the country programme.

### 2. Strategy for UNDP cooperation

14. The fifth country programme of Bahrain will focus on the areas where UNDP can contribute to national capacity-building in terms of management and human resources development. To this end, UNDP will draw on its long experience in providing country-specific, cross-sectoral, impartial advice and its proven record in management and coordination of development activities. The programme will emphasize the integration of human development into the overall policies for developing national capacities. A pivotal condition of the technical cooperation activities will be the transfer of knowledge and expertise to Bahraini counterparts so as to alleviate shortages of skilled workers. This will be achieved through on-the-job training and fellowships, particularly in highly specialized fields. Attention will also be given to cost-effectiveness of technical cooperation activities. The programme will rely mainly on the use of short-term consultants; long-term advisers will be engaged only when there is a clearly demonstrated need. Technical cooperation among developing countries (TCDC) will be explored wherever appropriate. The full participation of Bahraini counterparts in programme activities will ensure national capacity-building and achievement of programme objectives. An important issue will be how to achieve the required level of programming as stated in Governing Council decision 91/29. The Government believes that the capacity exists to develop a viable and expanded UNDP technical cooperation programme. Once the four-year National Development Strategy is adopted, its implementation will require

greater input from UNDP, particularly with respect to enhancement of national capacity and coordination of the development process. The build-up of the programme, however, will be gradual, throughout the programme period.

## 3. Proposed UNDP cooperation in selected areas of concentration

15. Based on national development objectives and priority needs, the fifth country programme will concentrate on three areas, namely: economic management; resource conservation and environmental protection; and human resources development.

### Economic management

16. National objectives. Government policy will focus on a desirable pattern of economic and social development, not only in the coming few years, but over the long run. Starting in 1993, the Government will focus attention on the implementation of the country's four-year development programme, which will call for vigorous and concerted efforts by various entities in both the public and the private sectors of the economy. Nationwide policies, within a macroeconomic framework, will be devised and reviewed continuously to ensure success. Economic and social progress will be appraised regularly, and remedial actions will be taken promptly to offset shortfalls.

17. Proposed UNDP cooperation. Technical cooperation will provide support to macroeconomic management for smooth and efficient implementation of the national development programme. Work will also be done to prepare a long-term development perspective to serve as an indicative framework to realize the full potential of economic growth and diversification in Bahrain. The next medium-term development programme will be formulated to serve as the operational framework for policy actions. The specific fields of assistance are as follows:

(a) Strengthening planning institutions. The responsibility for the formulation of development strategies, perspectives and programmes rests with the Ministry of Finance and National Economy. For this purpose, relevant work is also carried out in sectoral ministries and by other official entities. Useful economic modelling aimed at identifying desirable development goals and policy options is being carried out in the Bahrain Centre for Studies and Research. Technical cooperation will assist in strengthening technical work so that their results serve as a basis for sound development strategies, perspectives and policies;

(b) Economic diversification. A major strategic objective of the Government is to diversify the economy and make it less dependent on oil. Technical cooperation activities will assist the Government in formulating policies of economic diversification, including enhancement of the role of the private sector. Economic diversification will be achieved through the following sectors:

(i) Fishing. Among agriculture-related activities, fishing is of special importance in Bahrain. Although contributing at present only 0.3 per cent of GDP, fishing has a substantial potential which needs

to be tapped. The increase in fish production has not kept pace with the increase in consumption, and the country's dependence on imported fish has grown. Technical cooperation will help to redress the imbalance through a comprehensive fishery development and management plan and by strengthening the capabilities of fisheries institutions;

(ii) Manufacturing. Rapid development of manufacturing activities is a major objective of the Government. Some heavy industries (petroleum refining, petrochemicals, natural gas production, aluminium) have established a firm base; but medium- and small-scale industries face several constraints which must be overcome. In the Ministry of Development and Industry, there is an urgent need to build capacity for gathering and analysing industrial information to throw light on the evolving progress and the lingering obstacles, as well as on possibilities for Bahraini and foreign entrepreneurs, within a suitable industrial climate. Viable options need to be identified as regards both import substitution and export promotion. Industrial procedures must be streamlined and policies for industrial expansion must be more focused. Technical cooperation will be directed to these critical tasks;

(iii) Services. Service activities relating to trade, transport, hotels, banking and insurance represent a major route to economic diversification. Bahrain has the potential to become the services and trade centre of the Gulf region. Its location also makes it well suited for transit, trade and regional arbitration in trade matters. Technical cooperation will assist the Ministry of Commerce and Agriculture in developing and implementing the Government's policy of export promotion of both goods and services;

(c) Economic and social statistics. Sound policies for accelerated economic and social progress hinge on the availability of adequate and timely data. The Central Statistical Organisation has made important strides in this regard. However, improvement and expansion of the database are needed. Technical cooperation will: (a) improve the use of information systems based on the results of the 1991 census relating to such important aspects as population, labour force, housing, buildings and establishments; and (b) conduct a survey of household income and expenditures to determine living standards.

18. The success indicators for this area of technical cooperation will be strengthened planning institutions, an improved database and well-trained staff capable of dealing with such problems as economic modelling and information systems. Another indicator is the formulation of a long-term development strategy for a more diversified economy.

Resource conservation and environmental protection

19. National objectives. Bahrain must seek economic diversification by utilizing its natural resources and by harnessing human talents. To benefit future generations, however, all non-petroleum resources must be utilized efficiently, while at the same time safeguarding and improving the natural environment. Bahrain's future growth depends on effective planning and management of its depletable natural resources. The continued extraction of

water, far in excess of the natural replenishment rate, has led to deterioration of water quality. Alarming pressure on water supply has resulted from the growing population and urbanization and from the increasing use of water for industrial, commercial and agricultural purposes. The environment of Bahrain has been the subject of a large number of studies yielding plentiful data. But there is no legislation supporting environmental management and no adequate routine monitoring of pollution. The Environmental Protection Committee is part of the Prime Minister's office, under the chairmanship of the Minister of Health. The Committee's central position gives it prominence and effectiveness to carry out its function of managing the environment.

20. Proposed UNDP cooperation. UNDP will assist in developing a comprehensive environmental and natural resources management plan that will incorporate the following:

(a) Water resources. Bahrain needs a comprehensive policy framework for water use and conservation, with due attention to such aspects as recycling of water for agricultural use and development of suitable desalination technologies. Technical cooperation will focus on strengthening technical skills and management capabilities within the ministries and other entities concerned with water resources, with particular reference to the water resources departments of the Ministry of Commerce and Agriculture and Ministry of Public Works;

(b) Land reclamation. To meet the growing requirements stemming from the same factors as those mentioned above, land is being reclaimed from the shallow sea surrounding some coastal areas of Bahrain. Fishing and coastal recreation (with attendant implications for foreign tourism) have been adversely affected by landfilling as well as waste dumping by passing ships. Technical cooperation will help to promote rational expansion of coastal areas with proper environmental safeguards;

(c) Environmental protection. For effective protection of the natural environment, Bahrain needs a well-articulated system to coordinate the roles of the concerned public and private entities. Problems of pollution and waste have to be addressed. Science and technology must be harnessed and appropriate legislation and administrative procedures devised for this purpose. Technical cooperation will enhance the capacity of the Environmental Protection Committee and assist in the establishment of a national environmental programme. This will be coordinated with other work in the region, including that of the Centre for Environment and Development in the Arab Region and Europe (CEDARE), and will make use of other resources, including Capacity 21.

21. The success indicators under this sector will be the strengthening of the EPC and other institutions dealing with environment; the development of a comprehensive natural resource plan; and training of staff in environmental management and related fields.

Human resources development

22. National objectives. A fundamental task in Bahrain is to make the people of the country capable of undertaking increasingly complex and diverse activities that lead to sustained economic and social progress. The labour

force in Bahrain has been growing rapidly. During the past decade, the non-Bahraini component grew at a faster pace than the Bahraini component. With the economy expanding at a sluggish pace, average productivity declined significantly and unemployment among Bahrainis has risen. There is an urgent need to reverse this pattern by ensuring greater job opportunities for nationals.

23. Proposed UNDP cooperation. Technical cooperation will assist the Ministry of Labour and Social Affairs in establishing a labour market information system to gainfully employ Bahrainis and to maintain a pool of non-Bahrainis to respond to requirements of the economy. Special attention will be given to identifying job opportunities for Bahraini women. Nationalization of the labour force must be viewed within a long time-frame, for only through concerted action over many years will it be possible to achieve the desirable pattern. Specific fields of assistance will be as follows:

(a) Manpower planning. This will cover both public- and private-sector employment. The Civil Service Bureau is responsible for public service employment. Technical cooperation will strengthen its capabilities in such areas as organizational structures, government regulations and procedures, job classification and establishment of an administrative development plan that will ensure public service efficiency. A manpower development plan will also cover assistance to the Ministry of Labour and Social Affairs, responsible for the employment conditions in the private sector, and the Bahrain Training Institute of this ministry, which provides Bahraini youth with training for skilled and semi-skilled jobs. Special attention will be given to expansion of management and vocational training so that increasing numbers of Bahrainis can acquire the skills necessary to rationalize the labour force. This will involve a component for the rehabilitation of the handicapped;

(b) Development of educational systems. Education and training are vital for human resources development. Systems of education at all levels - primary, secondary and post-secondary - must conform with overall development objectives and priorities. Technical cooperation will help the Ministry of Education and the University of Bahrain to identify desirable changes in curricula, to strengthen the training of educational personnel and to assess and improve the efficiency of educational systems.

24. The success indicators under this sector will be capacity-building of manpower institutions and the establishment of a manpower development strategy and an educational and training plan that will meet the market requirements and employ more women.

### C. Assistance outside the main areas of concentration of the country programme

25. Technical cooperation under the fifth country programme falls wholly within the three designated areas of concentration. As a committed member of the Gulf Cooperation Council, Bahrain will continue to expand economic cooperation with other member countries. Such economic cooperation is fully in accord with the national development strategy and objectives of Bahrain and, consequently, also in harmony with the areas of concentration of the fifth country programme.

## D. Implementation and management arrangements

26. The proposals for technical cooperation put forward in the fifth programme will be elaborated in individual project documents. Sound project design and timely preparation and approval of project documents will be critical ingredients. Project formulation will follow the directives of the programme's respective areas of concentration and will ensure that project outputs and activities make tangible contributions to the attainment of national development objectives.

27. Arrangements for project execution and for related funding will be made on schedule. Various modalities of execution will be explored with special reference to national implementation and TCDC. Regular monitoring of project execution will be done to ensure that technical cooperation remains of high quality and well focused on the priority needs of the country.

28. A mid-term review of the implementation of the fifth country programme will be conducted to identify the impediments encountered and devise ways of overcoming them.

Annex I

FINANCIAL SUMMARY

I. ESTIMATED RESOURCES (IPF + cost-sharing) TAKEN INTO ACCOUNT FOR PROGRAMMING

(Thousands of dollars)

| | | |
|---|---|---|
| Carry-over from fourth cycle IPF | - | |
| Fifth cycle IPF | - | |
| Estimated expenditures in 1992 | - | |
| Estimated IPF resources for 1997 | - | |
| Subtotal IPF | | - |
| Project cost-sharing (Government) | 10 046 | |
| Project cost-sharing (third-party) | - | |
| Programme cost-sharing | - | |
| Subtotal cost-sharing | | 10 046 |
| TOTAL | | 10 046 |

II. ALLOCATION OF RESOURCES (IPF + cost-sharing) BY AREA OF CONCENTRATION

| Area of concentration | IPF | Cost-sharing | Total | Percentage of total resources |
|---|---|---|---|---|
| Economic Management | - | 5 000 | 5 000 | 49.8 |
| Resource Conservation and Environmental Protection | - | 2 028 | 2 028 | 20.2 |
| Human Resources Development | - | 2 018 | 2 018 | 20.1 |
| Subtotal | - | 9 046 | 9 046 | 90.1 |
| Unprogrammed reserve | - | 1 000 | 1 000 | 9.9 |
| TOTAL | - | 10 046 | 10 046 | 100 |

/...

III. COMPLEMENTARY ASSISTANCE FROM OTHER SOURCES USED IN AREAS OF CONCENTRATION

(Thousands of dollars)

| | | |
|---|---|---|
| A. | UNDP-administered funds | |
| | SPR | 100 |
| | UNCDF | - |
| | UNSO | - |
| | UNIFEM | - |
| | UNRFNRE | - |
| | UNFSTD | - |
| | Subtotal | 100 |
| B. | Other United Nations resources | |
| | JCGP participating agencies | |
| | UNFPA | - |
| | UNICEF | - |
| | WFP | - |
| | IFAD | - |
| | Other United Nations agencies (non-UNDP-financed) | - |
| | Global Environment Facility | - |
| | Subtotal | - |
| | Total non-core and other United Nations resources | - |
| C. | Non-United Nations resources | - |
| | TOTAL | 100 |

Annex II

PROGRAMME MATRIX a/

| Area of concentration | Area of focus | | | | | |
|---|---|---|---|---|---|---|
| | Poverty eradication and grass-roots participation in development | Environment and natural resource management | Management development | TCDC | Transfer and adaptation of technology | WID |
| I. ECONOMIC MANAGEMENT | | | | | | |
| Strengthening planning institutions | | * | * | | | * |
| Economic diversification | | * | * | * | * | |
| Economic and social statistics | | * | * | | | |
| II. RESOURCE CONSERVATION AND ENVIRONMENTAL PROTECTION | | | | | | |
| Water resources | | * | * | | | |
| Land reclamation | | * | * | | | |
| Environmental protection | | * | * | * | | |
| III. HUMAN RESOURCES DEVELOPMENT | | | | | | |
| Manpower planning | | | * | | | * |
| Development of educational systems | | | * | * | * | * |

a/ Asterisks indicate major linkage only.

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